NOTES TO FINANCIAL STATEMENTS

31 December 2005

1. CORPORATE INFORMATION

The principal place of business of Yugang International Limited is located at Rooms 3301—07, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

During the year, the Group was involved in the following principal activities:

(i) trading in automobile parts and other materials;

(ii) treasury investment;

(iii) manufacture and sale of watch boxes, gift boxes, spectacles cases, bags and pouches and display units;

(iv) manufacture and sale of soft luggages, travel bags, backpacks and brief cases; and

(v) property and other investments.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, derivative financial instruments and equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2005. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The following new and revised HKFRSs affect the Group and are adopted for the first time for the current year's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 11	Construction Contracts
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 20	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations
HK(SIC)-Int 21	Income Taxes — Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 2, 7, 8, 10, 11, 12, 14, 16, 18, 19, 20, 21, 23, 27, 28, 31, 33, 37 and 38, HKFRSs 2 and 5, and HK-Int 4 has had no material impact on the accounting policies of the Group and the Company and the methods of computation in the Group's and the Company's financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

HKAS 1 has affected the presentation of minority interests on the face of the consolidated balance sheet, consolidated income statement, consolidated statement of changes in equity and other disclosures. In addition, in prior periods, the Group's share of tax attributable to associates and jointly-controlled entities was presented as a component of the Group's total tax charge/(credit) in the consolidated income statement. Upon the adoption of HKAS 1, the Group's share of the post-acquisition results of associates and jointly-controlled entities is presented net of the Group's share of tax attributable to associates and jointly-controlled entities.

HKAS 24 has expanded the definition of related parties and affected the Group's related party disclosures.

The impact of adopting the other HKFRSs is summarised as follows:

(a) HKAS 17 — Leases

In prior years, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and buildings. The Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from property, plant and equipment to prepaid land lease payments, while buildings continue to be classified as part of property, plant and equipment. Prepaid land premiums for land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

The effects of the above changes are summarised in note 2.4. The comparative amounts in the consolidated balance sheet for the year ended 31 December 2004 have been restated to reflect the reclassification of the leasehold land.

(b) HKAS 32 and HKAS 39 — Financial Instruments

(i) Equity securities

In prior years, the Group classified its investments in unlisted equity securities as long term investments, which were held for non-trading purposes and were stated at cost less any impairment losses. Upon the adoption of HKAS 39, these securities held by the Group at 1 January 2005 in the amount of HK$70,000,000 were designated as available-for-sale investments under the transitional provisions of HKAS 39.

In prior years, the Group classified its investments in listed equity securities for trading purpose as other investments, and were stated at their fair values on an individual basis with gains and losses recognised in the income statement. Upon the adoption of HKAS 39, these securities held by the Group at 1 January 2005 in the amount of HK$523,178,000 were designated as financial assets at fair value through profit or loss under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognised in the income statement.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(b) HKAS 32 and HKAS 39 — Financial Instruments *(Continued)*

(i) Equity securities *(Continued)*

The adoption of HKAS 39 has not resulted in any change in the measurement of these equity securities. Comparative amounts have been reclassified for presentation purposes.

(ii) Convertible notes

In prior years, convertible notes were stated at amortised cost. Upon the adoption of HKAS 32, convertible notes are split into liability and equity components. The effects of the above changes are summarised in note 2.4. In accordance with HKAS 32, comparative amounts have been restated.

(iii) Convertible debentures and notes

In prior years, the Group's investments in convertible debentures and notes were stated at cost less impairment losses. Upon the adoption of HKAS 39, these investments held by the Group at 1 January 2005 in the amount of HK$16,000,000 were classified as financial assets at fair value through profit or loss under the transitional provisions of HKAS 39 and accordingly are stated at fair value with gains or losses being recognised in the income statement.

The effects of the above changes are summarised in note 2.4. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

(iv) Derivative financial instruments — Share options

In prior years, unlisted share options held by an associate were stated at cost less any impairment losses.

Upon the adoption of HKASs 32 and 39, these share options are classified as derivative financial assets. Derivative financial assets are categorised as held for trading and are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value unless they are designated as hedges. Changes in fair value are recognised immediately in the income statement. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

The fair values of the unlisted share options are determined using valuation techniques. Such techniques include using recent arm's length market transactions; references to the current market value of another instrument, which is substantially the same; a discounted cash flow analysis and option pricing models.

The effects of the above changes are summarised in note 2.4. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

(c) HKAS 40 — Investment Property

In prior years, changes in the fair values of investment properties were dealt with as movements in the investment property revaluation reserve. If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the income statement. Any subsequent revaluation surplus was credited to the income statement to the extent of the deficit previously charged.

Upon the adoption of HKAS 40, gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise. In accordance with the transitional provisions of HKAS 40, the opening balance of retained profits and the results for the comparative period have been restated to reflect this change retrospectively. The effects of the above change are summarised in note 2.4.

(d) HKFRS 3 — Business Combinations and HKAS 36 — Impairment of Assets

In prior years, goodwill arising on acquisitions was capitalised and amortised on the straight-line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. Negative goodwill was carried in the balance sheet and was recognised in the consolidated income statement on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets.

The adoption of HKFRS 3 and HKAS 36 has resulted in the Group ceasing annual goodwill amortisation and commencing testing for impairment at the cash-generating unit level annually (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired).

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries and associates (previously referred to as "negative goodwill"), after reassessment, is recognised immediately in the income statement.

The transitional provisions of HKFRS 3 have required the Group to eliminate at 1 January 2005 the carrying amounts of accumulated amortisation with a corresponding adjustment to the cost of goodwill and to derecognise the carrying amounts of negative goodwill against retained profits.

The effects of the above changes are summarised in note 2.4. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

(e) HK(SIC)-Int 21 — Income Taxes — Recovery of Revalued Non-depreciable Assets

In prior years, deferred tax arising on the revaluation of investment properties was recognised based on the tax rate that would be applicable upon the sale of the investment properties.

Upon the adoption of HK(SIC)-Int 21, deferred tax arising on the revaluation of the Group's investment properties is determined depending on whether the properties will be recovered through use or through sale. The Group has determined that its investment properties will be recovered through use, and accordingly the profits tax rate has been applied to the calculation of deferred tax.

The effects of the above changes are summarised in note 2.4. The change has been adopted retrospectively from the earliest period presented and comparative amounts have been restated.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

HKAS 1 Amendment	Capital Disclosures
HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRSs 1 & 6 Amendments	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 incorporates the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be applied for annual periods beginning on or after 1 January 2007.

In accordance with the amendments to HKAS 39 regarding financial guarantee contracts, financial guarantee contracts are initially recognised at fair value and are subsequently measured at the higher of (i) the amount determined in accordance with HKAS 37 and (ii) the amount initially recognised, less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18.

The HKAS 19 Amendment, HKAS 21 Amendment and HKAS 39 Amendment regarding cash flow hedge accounting of forecast intragroup transactions, HKFRSs 1 and 6 Amendments, HKFRS 6, HK(IFRIC)-Int 5, HK(IFRIC)-Int 6 and HK(IFRIC)-Int 7 do not apply to the activities of the Group. HK(IFRIC)-Int 6 and HK(IFRIC)-Int 7 would be applied for accounting periods beginning on or after 1 December 2005 and 1 March 2006 respectively.

Except as stated above, the Group expects that the adoption of the pronouncements listed above will not have any significant impact on the Group's financial statements in the period of initial application.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES

(a) Effect on the consolidated balance sheet

	Effect of adopting							
At 1 January 2005	HKAS 17#	HKASs 32# and 39*	HKAS 32#	HKAS 39*	HKAS 40*	HKFRS 3*	HK(SIC)-Int 21#	
Effect of new policies (Increase/(decrease))	Prepaid land lease payments	Change in classification of equity investments	Convertible note	Financial instruments	Surplus on revaluation of investment properties	Discontinuation of amortisation of goodwill/ derecognition of negative goodwill	Deferred tax on revaluation of investment properties	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets								
Property, plant and equipment	(123,171)	—	—	—	—	—	—	(123,171)
Prepaid land lease payments	125,949	—	—	—	—	—	—	125,949
Negative goodwill	—	—	—	—	—	43,950	—	43,950
Interests in associates	—	—	—	43,676	—	13,109	(7,488)	49,297
Available-for-sale equity investment	—	70,000	—	—	—	—	—	70,000
Long term investment	—	(70,000)	—	—	—	—	—	(70,000)
Convertible debentures and notes	—	—	—	(399)	—	—	—	(399)
Investments at fair value through profit or loss	—	523,178	—	—	—	—	—	523,178
Other investments	—	(523,178)	—	—	—	—	—	(523,178)
								95,626
Liabilities/equity								
Convertible note	—	—	(6,655)	—	—	—	—	(6,655)
Equity component of convertible note	—	—	7,620	—	—	—	—	7,620
Investment property revaluation reserve	—	—	—	—	(1,430)	—	—	(1,430)
Other reserves	—	—	—	(1,699)	—	—	—	(1,699)
Minority interests	—	—	—	(161)	—	—	—	(161)
Retained profits	2,778	—	(965)	45,137	1,430	57,059	(7,488)	97,951
								95,626

* Adjustments taken effect prospectively from 1 January 2005

\# Adjustments/presentation taken effect retrospectively

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) Effect on the consolidated balance sheet *(Continued)*

	Effect of adopting							
At 31 December 2005	HKAS 17#	HKASs 32# and 39*	HKAS 32#	HKAS 39*	HKAS 40*	HKFRS 3*	HK(SIC)-Int 21#	
Effect of new policies (Increase/(decrease))	Prepaid land lease payments	Change in classification of equity investments	Convertible note	Financial instruments	Surplus on revaluation of investment properties	Discontinuation of amortisation of goodwill/ derecognition of negative goodwill	Deferred tax on revaluation of investment properties	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets								
Property, plant and equipment	(143,286)	—	—	—	—	—	—	(143,286)
Prepaid land lease payments	146,470	—	—	—	—	—	—	146,470
Negative goodwill	—	—	—	—	—	45,469	—	45,469
Interests in associates	—	—	—	56,155	—	17,061	(14,047)	59,169
Available-for-sale equity investment	—	20,000	—	—	—	—	—	20,000
Long term investment	—	(21,249)	—	—	—	—	—	(21,249)
Convertible debentures and notes	—	—	—	2,016	—	—	—	2,016
Investments at fair value through profit or loss	—	396,696	—	—	—	—	—	396,696
Other investments	—	(395,447)	—	—	—	—	—	(395,447)
								109,838
Liabilities/equity								
Convertible note	—	—	(2,995)	—	—	—	—	(2,995)
Share premium	—	—	687	—	—	—	—	687
Equity component of convertible note	—	—	5,407	—	—	—	—	5,407
Investment property revaluation reserve	—	—	—	—	(62,621)	—	—	(62,621)
Other reserves	—	—	—	1,559	—	—	—	1,559
Minority interests	—	—	—	(492)	—	—	—	(492)
Retained profits	3,184	—	(3,099)	57,104	62,621	62,530	(14,047)	168,293
								109,838

* Adjustments taken effect prospectively from 1 January 2005

\# Adjustments/presentation taken effect retrospectively

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) Effect on the balances of equity at 1 January 2004 and at 1 January 2005

	Effect of adopting						
	HKAS 17	HKAS 32	HKASs 32 and 39	HKAS 40	HKFRS 3 Discontinuation of amortisation	HK(SIC)-Int 21	
Effect of new policies (Increase/(decrease))	Prepaid land lease payments	Convertible note	Financial instruments	Surplus on revaluation of investment properties	of goodwill/ derecognition of negative goodwill	Deferred tax on revaluation of investment properties	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
1 January 2004							
Retained profits	2,370	—	—	—	—	(4,582)	(2,212)
							(2,212)
1 January 2005							
Equity component of convertible note	—	7,620	—	—	—	—	7,620
Investment property revaluation reserve	—	—	—	(1,430)	—	—	(1,430)
Other reserves	—	—	(1,699)	—	—	—	(1,699)
Minority interests	—	—	(161)	—	—	—	(161)
Retained profits	2,778	(965)	45,137	1,430	57,059	(7,488)	97,951
							102,281

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.4 SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICIES *(Continued)*

(c) Effect on the consolidated income statement for the years ended 31 December 2005 and 2004

	Effect of adopting							
	HKAS 17	HKAS 1	HKASs 32 and 39	HKAS 39	HKAS 40	HKFRS 3 Discontinuation of amortisation	HK(SIC)-Int 21 Deferred	
Effect of new policies	Prepaid land lease payments	Share of post-tax profits and losses of associates	Convertible note	Financial instruments	Surplus on revaluation of investment properties	of goodwill/ derecognition of negative goodwill	tax on revaluation of investment properties	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2005								
Increase in other income and gains	—	—	—	2,746	—	993	—	3,739
Decrease in administrative expenses	406	—	—	—	—	—	—	406
Increase in finance costs	—	—	(2,134)	—	—	—	—	(2,134)
Increase/(decrease) in share of profits and losses of associates	—	(13,505)	—	9,221	61,191	4,478	(6,559)	54,826
Decrease in tax	—	13,505	—	—	—	—	—	13,505
Total increase/(decrease) in profit	406	—	(2,134)	11,967	61,191	5,471	(6,559)	70,342
Decrease/(increase) in basic loss per share	—	—	(0.02) HK cents	0.14 HK cents	0.72 HK cents	0.06 HK cents	(0.08) HK cents	0.82 HK cents
Decrease/(increase) in diluted loss per share	—	—	(0.02) HK cents	0.13 HK cents	0.65 HK cents	0.06 HK cents	(0.07) HK cents	0.75 HK cents
Year ended 31 December 2004								
Decrease in administrative expenses	408	—	—	—	—	—	—	408
Increase in finance costs	—	—	(965)	—	—	—	—	(965)
Decrease in share of profits and losses of associates	—	(7,782)	—	—	—	—	(2,906)	(10,688)
Decrease in tax	—	7,782	—	—	—	—	—	7,782
Total increase/(decrease) in profit	408	—	(965)	—	—	—	(2,906)	(3,463)
Increase/(decrease) in basic earnings per share	—	—	(0.01) HK cents	—	—	—	(0.03) HK cents	(0.04) HK cents
Increase/(decrease) in diluted earnings per share	—	—	(0.01) HK cents	—	—	—	(0.03) HK cents	(0.04) HK cents

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and neither has joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill arising from the acquisition of associates, which was not previously eliminated or recognised in the consolidated reserves is included as part of the Group's interests in associates.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005

Goodwill arising on acquisition is initially recognised in the consolidated balance sheet as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 "Segment Reporting".

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

Goodwill on acquisitions for which the agreement date is on or after 1 January 2005 *(Continued)*

An impairment loss recognised for goodwill is not reversed in a subsequent period.

Excess over the cost of business combinations *(applicable to business combinations for which the agreement date is on or after 1 January 2005)*

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries and associates (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

The excess for associates is included in the determination of the Group's share of the associates' profit or loss in the period in which the investments are acquired.

Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, investment properties, goodwill and non-current assets/disposal groups classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value-in-use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2%
Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles and yachts	20% — 25%
Plant and machinery	10%
Moulds	15%

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance sheet date.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets

Applicable to the year ended 31 December 2004:

The Group classified its equity investments, other than subsidiaries, associates and jointly-controlled entities, as long term investments and other investments.

Long term investments

Long term investments mainly represent club debentures and investments in unlisted equity securities intended to be held on a long term basis. They are stated at cost less any impairment losses.

Other investments

Other investments are investments in equity securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the income statement in the period in which they arise.

Applicable to the year ended 31 December 2005:

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading or so designated are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives held by the Group are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Applicable to the year ended 31 December 2005: *(Continued)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Impairment of financial assets (applicable to the year ended 31 December 2005)

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in profit or loss.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets (applicable to the year ended 31 December 2005) *(Continued)*

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss.

Derecognition of financial assets (applicable to the year ended 31 December 2005)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;

- the Group retains the rights to receive cash flows from the asset, but has assumed an obligation to pay in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Interest-bearing loans and borrowings *(Continued)*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

Convertible notes

The component of convertible notes that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of transaction costs. On issuance of convertible notes, the fair value of the liability component is determined using a market rate for an equivalent non-convertible note; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible notes based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Derecognition of financial liabilities (applicable to the year ended 31 December 2005)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Derivative financial instruments and hedging (applicable to the year ended 31 December 2005)

An associate of the Group's associate uses interest rate swaps to hedge its risks associated with the interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to net profit or loss for the year.

The fair value of interest rate swap contracts is determined by reference to the present value of estimated future cash flows.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecast transaction.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derivative financial instruments and hedging (applicable to the year ended 31 December 2005) *(Continued)*

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash flow hedges

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, the amounts previously recognised in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, the amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowance for any obsolete or slow-moving items. Cost is determined on the weighted average method and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and in selling and distribution.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currencies of certain overseas subsidiaries, jointly-controlled entities and associates are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date and, their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in a separate component of equity as the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand, demand deposits and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheets, cash and bank balances and time deposits represent assets which are not restricted as to use.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

(b) rental income from properties, in the period in which the properties are let and on the straight-line basis over the lease terms;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset;

(d) dividend income, when the shareholders' right to receive payment has been established; and

(e) income from the sale of listed securities, on the trade date.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Employee benefits

Retirement benefits schemes

The Group, other than Qualipak International Holdings Limited ("Qualipak") and its subsidiaries (details of whose retirement benefits scheme are included below), operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Qualipak, a subsidiary of the Company, together with its subsidiaries (collectively, the "Qualipak Group"), operates a defined contribution retirement benefits scheme for those employees who are eligible and who have elected to participate in the scheme. The assets of the scheme are held separately from those of the Qualipak Group in an independently administered fund. Contributions are made at specified rates and are charged to the income statement as they become payable in accordance with the rules of the scheme. When an employee leaves the scheme prior to his/her interest in the Qualipak Group's employer contributions vesting fully, the ongoing contributions payable by the Qualipak Group may be reduced by the relevant amount of forfeited contributions.

Following the introduction of the MPF Scheme, the Qualipak Group has restructured its retirement arrangements to comply with the Mandatory Provident Fund Schemes Ordinance. The Qualipak Group has secured Mandatory Provident Fund exemption status for its retirement benefits scheme and, in addition, has participated in an approved MPF Scheme with effect from 1 December 2000 to provide a choice of schemes to its existing employees. All of its new employees are required to participate in the MPF Scheme.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A provision is recognised in respect of probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which has been earned by the employees from their service to the Group to the balance sheet date.

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the balance sheet date is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the balance sheet date for the expected future cost of such paid leave earned during the year by the employees and carried forward.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments — Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2005 was HK$35,297,000 (2004: Nil) arising from acquisition of subsidiaries and HK$31,789,000 (2004: Nil) arising from acquisition of associates. More details are given in notes 18 and 21.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs.

The carrying amounts of investment properties at 31 December 2005 was HK$55,169,000 (2004: HK$6,700,000).

Estimation of provision against obsolete and slow-moving inventories

The Group does not have a general provision policy on inventories based on aging given the nature of inventories that are not subject to frequent wear and tear and frequent technological changes. However, operational procedures have been in place to monitor this risk as majority of working capital is devoted to inventories. The Group's sales and marketing managers review the inventory aging listing on a periodical basis for those aged inventories. This involves comparison of the carrying value of the aged inventory items with the respective net relisable value. The purpose is to ascertain whether allowance is required to be made in the consolidated financial statements for any obsolete and slow-moving items. In addition, physical counts on all inventories are carried out on a periodical basis in order to determine whether the allowance needs to be made in respect of any obsolete and defective inventories identified.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

Impairment loss on trade debtors

In determining whether the allowance for bad and doubtful debts is required, the Group takes into consideration the aging status and the likelihood of collection. Following the identification of doubtful debts, the Group's responsible personnel discuss with the relevant customers and report to management on the recoverability. Specific allowance is only made for receivables that are unlikely to be collected.

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the trading of automobile parts and other materials segment consists of the trading of automobile parts mainly for use in the manufacture of automobiles and trading of other materials;

(b) the treasury investment segment includes the trading of securities, interest and dividend income from securities investment and interest income from provision of financing services;

(c) the manufacture and sale of packaging products segment comprises the production and sale of watch boxes, gift boxes, spectacles cases, bags and pouches and display units;

(d) the manufacture and sale of luggage products segment comprises the production and sale of soft luggages, travel bags, backpacks and brief cases; and

(e) the property and other investments segment comprises rental income from investment properties.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments

The following table presents revenue, loss and certain assets, liabilities and expenditure information for the Group's business segments in 2005.

Year ended 31 December 2005

	Trading of automobile parts and other materials *HK$'000*	Treasury investment *HK$'000*	Manufacture and sale of packaging products *HK$'000*	Manufacture and sale of luggage products* *HK$'000*	Property and other investments *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Segment revenue:							
Turnover from external customers	590	(11,688)	277,442	169,990	—	—	436,334
Other revenue	—	—	—	—	696	—	696
Total revenue	590	(11,688)	277,442	169,990	696	—	437,030
Segment results	(4,077)	(69,342)	39,499	5,530	(38,369)	—	(66,759)
Unallocated expenses, net							(36,957)
Interest income on bank deposits							13,902
Finance costs							(4,449)
Share of profits and losses of:							
A jointly-controlled entity	—	—	—	—	(910)	—	(910)
Associates	—	—	—	—	90,145	—	90,145
Loss before tax							(5,028)
Tax							(5,115)
Loss for the year							(10,143)
Assets and liabilities:							
Segment assets	8,200	836,374	380,293	134,862	48,870	—	1,408,599
Investment in a jointly-controlled entity	—	—	—	—	3,669	—	3,669
Interests in associates	—	—	—	—	839,451	—	839,451
Unallocated assets	—	—	—	—	—	345,778	345,778
Total assets							2,597,497
Segment liabilities	4,428	2,165	48,651	110,262	—	—	165,506
Unallocated liabilities	—	—	—	—	—	138,667	138,667
Total liabilities							304,173
Other segment information:							
Capital expenditure	—	—	(84,291)	(2,407)	—	(1,775)	(88,473)
Depreciation	—	(320)	(6,855)	(948)	—	(1,879)	(10,002)
Amortisation on prepaid land lease payments	—	—	(1,289)	(64)	—	(1,442)	(2,795)
Write-back of provision/(provision) for doubtful debts, net	—	(411)	4,463	—	—	—	4,052
Fair value losses on investments at fair value through profit or loss	—	(27,329)	—	—	—	—	(27,329)
Loss on disposal of listed equity investments at fair value through profit or loss	—	(35,767)	—	—	—	—	(35,767)
Impairment losses on items of property, plant and equipment	—	—	—	—	—	(751)	(751)
Impairment losses on prepaid land lease payments	—	—	—	—	—	(6,319)	(6,319)

* The segment represented the business of certain subsidiaries newly acquired during the year *(note 35)*.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

4. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

The following table presents revenue, profit and certain assets, liabilities and expenditure information for the Group's business segments in 2004.

Year ended 31 December 2004

(Restated)

	Trading of automobile parts and other materials *HK$'000*	Treasury investment *HK$'000*	Manufacture and sale of packaging products *HK$'000*	Property and other investments *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Segment revenue:						
Turnover from external customers	—	138,323	254,443	—	—	392,766
Other revenue	—	—	—	603	—	603
Total revenue	—	138,323	254,443	603	—	393,369
Segment results	(14,225)	232,455	46,938	(29,252)	—	235,916
Unallocated expenses, net						(26,108)
Interest income on bank deposits						4,459
Finance costs						(5,115)
Share of profits and losses of:						
A jointly-controlled entity	—	—	—	(725)	—	(725)
Associates	—	—	—	43,132	—	43,132
Profit before tax						251,559
Tax						(11,215)
Profit for the year						240,344
Assets and liabilities:						
Segment assets	28,500	957,231	455,696	95,030	—	1,536,457
Investment in a jointly-controlled entity	—	—	—	4,578	—	4,578
Investments in associates	—	—	—	659,930	—	659,930
Unallocated assets	—	—	—	—	231,843	231,843
Total assets						2,432,808
Segment liabilities	3,455	7,154	38,244	—	—	48,853
Unallocated liabilities	—	—	—	—	147,275	147,275
Total liabilities						196,128
Other segment information:						
Capital expenditure	(760)	(182)	(5,702)	—	(9,249)	(15,893)
Negative goodwill recognised as income	—	—	7,584	526	—	8,110
Depreciation	—	(311)	(6,705)	—	(2,220)	(9,236)
Amortisation on prepaid land lease payments	—	—	(975)	—	(1,400)	(2,375)
Provision for doubtful debts	—	(4,962)	(9,681)	—	—	(14,643)
Provision against obsolete inventories	—	—	(3,339)	—	—	(3,339)
Fair value gains on investments at fair value through profit or loss	—	128,179	—	—	—	128,179
Gain on disposal of other investments	—	111,112	—	—	—	111,112

NOTES TO FINANCIAL STATEMENTS

31 December 2005

4. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

The following table presents revenue and certain assets and expenditure information for the Group's geographical segments.

	Hong Kong	Elsewhere in the PRC	North and South Americas	European Union	Others	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2005						
Segment revenue:						
Turnover from external customers	**65,906**	**590**	**207,539**	**127,678**	**34,621**	**436,334**
Other revenue	**696**	**—**	**—**	**—**	**—**	**696**
Total revenue	**66,602**	**590**	**207,539**	**127,678**	**34,621**	**437,030**
Other segment information:						
Segment assets	**2,363,328**	**233,701**	**468**	**—**	**—**	**2,597,497**
Capital expenditure	**88,473**	**—**	**—**	**—**	**—**	**88,473**
Year ended 31 December 2004 (Restated)						
Segment revenue:						
Turnover from external customers	215,551	—	80,461	81,162	15,592	392,766
Other revenue	603	—	—	—	—	603
Total revenue	216,154	—	80,461	81,162	15,592	393,369
Other segment information:						
Segment assets	2,248,705	149,389	283	—	34,431	2,432,808
Capital expenditure	15,133	760	—	—	—	15,893

NOTES TO FINANCIAL STATEMENTS

31 December 2005

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the aggregate of the net invoiced value of goods sold, after the allowances for returns and trade discounts, gain/(loss) on disposal of trading securities, dividend income from listed investments and interest income from convertible notes and loans receivable during the year.

An analysis of the Group's revenue, other income and gains is as follows:

	2005 *HK$'000*	2004 *HK$'000* (Restated)
Revenue		
Sale of goods	**448,022**	254,443
Gain/(loss) on disposal of listed equity investments at fair value through profit or loss/other investments	**(35,767)**	111,112
Dividend income from listed investments	**5,800**	3,422
Interest income from convertible notes and loans receivable	**17,986**	23,789
Others	**293**	—
	436,334	392,766
Other income and gains		
Gross rental income	**696**	603
Interest income on bank deposits	**13,902**	4,459
Negative goodwill recognised as income	**—**	8,110
Excess over the cost of acquisitions of additional interest in a subsidiary	**9,525**	—
Fair value gains, net		
Investments at fair value through profit or loss	**—**	128,179
Convertible debentures and notes	**2,415**	—
Gain on partial disposal of a subsidiary	**—**	22,480
Write-back of provision for doubtful debts, net	**4,052**	—
Write-back of impairment loss on convertible note	**3,907**	1,553
Fair value gains on investment properties	**3,800**	100
Others	**3,137**	2,688
	41,434	168,172

6. OTHER EXPENSES

	Group	
	2005 *HK$'000*	2004 *HK$'000*
Exchange losses, net	**354**	—
Fair value losses, net:		
Investments at fair value through profit or loss	**27,329**	—
Provision for doubtful debts, net	**—**	14,643
Loss on deemed disposal of interests in associates	**1,801**	—
Impairment losses on available-for-sale equity investment/long term investment	**50,000**	30,000
Impairment losses on items of property, plant and equipment	**751**	—
Impairment losses on prepaid land lease payments	**6,319**	—
	86,554	44,643

NOTES TO FINANCIAL STATEMENTS

31 December 2005

7. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting) the following:

	2005	2004
	HK$'000	*HK$'000*
		(Restated)
Cost of inventories sold	**374,129**	197,376
Provision against obsolete inventories	**—**	3,339
Depreciation	**10,002**	9,236
Amortisation on prepaid land lease payments	**2,795**	2,375
Loss/(gain) on disposal of items in property, plant and equipment	**116**	(150)
Minimum lease payments under operating leases		
Land and buildings	**3,398**	3,778
Others	**2,004**	450
	5,402	4,228
Auditors' remuneration	**1,964**	1,498
Staff costs (including those of directors *(note 9)*):		
Wages and salaries	**45,133**	44,554
Pension scheme contributions	**1,230**	1,110
Less: Forfeited contributions	**(46)**	(17)
Net pension scheme contributions*	**1,184**	1,093
	46,317	45,647
Gross rental income	**(696)**	(603)
Exchange losses/(gains), net	**354**	(167)

* At 31 December 2005, there was no forfeited contributions available to the Group to reduce its contributions to the pension scheme in future years (2004: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2005

8. FINANCE COSTS

	Group	
	2005	2004
	HK$'000	*HK$'000*
		(Restated)
Interest on bank loans, overdrafts and other loans wholly repayable within five years	**476**	374
Interest on convertible note *(notes 14 and 31)*	**3,973**	4,741
	4,449	5,115

9. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Fees	**1,900**	1,500
Other emoluments:		
Salaries, allowances and benefits in kind	**8,060**	6,480
Bonuses	**7,200**	5,400
Pension scheme contributions	**48**	48
	17,208	13,428

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2005	2004
	HK$'000	*HK$'000*
Mr. Wong Wai Kwong, David	**700**	500
Mr. Ng Kwok Fu	**100**	—
Mr. Wong Yat Fai	**100**	—
	900	500

There were no other emoluments payable to the independent non-executive directors during the year (2004: Nil).

NOTES TO FINANCIAL STATEMENTS

31 December 2005

9. DIRECTORS' REMUNERATION *(Continued)*

(b) Executive directors and non-executive director

	Fees	Salaries, allowances and benefits in kind	Bonuses	Pension scheme contributions	Total remuneration
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2005					
Executive directors:					
Mr. Cheung Chung Kiu	—	3,160	4,000	12	7,172
Mr. Yuen Wing Shing	—	2,190	1,000	12	3,202
Mr. Zhang Qing Xin	—	770	600	—	1,370
Mr. Lam Hiu Lo	—	1,100	1,000	12	2,112
Mr. Liang Kang	—	840	600	12	1,452
	—	8,060	7,200	48	15,308
Non-executive director:					
Mr. Lee Ka Sze, Carmelo	1,000	—	—	—	1,000
	1,000	8,060	7,200	48	16,308
2004					
Executive directors:					
Mr. Cheung Chung Kiu	—	2,070	3,000	12	5,082
Mr. Yuen Wing Shing	—	1,940	800	12	2,752
Mr. Zhang Qing Xin	—	650	400	—	1,050
Mr. Lam Hiu Lo	—	1,040	800	12	1,852
Mr. Liang Kang	—	780	400	12	1,192
	—	6,480	5,400	48	11,928
Non-executive director:					
Mr. Lee Ka Sze, Carmelo	1,000	—	—	—	1,000
	1,000	6,480	5,400	48	12,928

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2004: two) directors, details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining two (2004: three) non-director, highest paid employees for the year are as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Basic salaries, housing allowances, other allowances and benefits in kind	**4,425**	5,171
Bonuses	**800**	7,400
Pension scheme contributions	**132**	132
	5,357	12,703

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2005	2004
HK$1,500,001 to HK$2,000,000	**—**	2
HK$2,000,001 to HK$2,500,000	**1**	—
HK$3,000,001 to HK$3,500,000	**1**	—
HK$9,000,001 to HK$9,500,000	**—**	1
	2	3

11. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2005	2004
	HK$'000	*HK$'000*
		(Restated)
Group:		
Current — Hong Kong		
Charge for the year	**3,564**	8,577
Underprovision/(overprovision) in prior years	**1,553**	(4,118)
Additional tax assessments for the years of assessment from 1993/94 to 2002/03	**—**	4,694
	5,117	9,153
Deferred *(note 32)*	**(2)**	2,062
Total tax charge for the year	**5,115**	11,215

NOTES TO FINANCIAL STATEMENTS

31 December 2005

11. TAX *(Continued)*

A reconciliation of the tax expense applicable to profit/(loss) before tax using the statutory rate to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

Group	2005 HK$'000	2005 %	2004 HK$'000 (Restated)	2004 %
Profit/(loss) before tax	(5,028)		251,559	
Tax at the statutory tax rate	(880)	17.5	44,023	17.5
Underprovision/(overprovision) of tax in prior years	1,553	(30.9)	(4,118)	(1.6)
Additional tax assessments for the years of assessment 1993/94 to 2002/03	—	—	4,694	1.9
Profits and losses attributable to a jointly-controlled entity and associates	(15,616)	310.6	(7,421)	(3.0)
Income not subject to tax	(8,884)	176.7	(32,503)	(12.9)
Expenses not deductible for tax	12,138	(241.4)	16,292	6.5
Utilisation of tax losses brought forward from previous years	(10)	0.2	(12,038)	(4.8)
Tax losses not recognised	17,241	(342.9)	2,231	0.9
Others	(427)	8.5	55	—
Tax charge at the Group's effective rate	5,115	(101.7)	11,215	4.5

The share of tax attributable to associates amounting to HK$13,505,000 (2004: HK$7,782,000) is included in "Share of profits and losses of associates" on the face of the consolidated income statement.

12. NET PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The net profit attributable to equity holders of the Company for the year ended 31 December 2005 dealt with in the financial statements of the Company, was HK$26,567,000 (2004: HK$26,607,000) *(note 34)*.

13. DIVIDEND

	2005 HK$'000	2004 HK$'000
Proposed final — HK$0.003 (2004: HK$0.003) per ordinary share	26,173	25,360

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. No interim dividend was declared in respect of both of the years.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

14. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings/(loss) per share amounts is based on the net profit/(loss) for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings/(loss) per share amounts is based on the net profit/(loss) for the year attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible note, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the ordinary shares in issue during the year, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings/(loss) per share are based on:

	2005 *HK$'000*	2004 *HK$'000* (Restated)
Earnings/(loss)		
Net profit/(loss) attributable to ordinary equity holders of the Company, used in the basic earnings/(loss) per share calculation	**(26,579)**	223,953
Interest on convertible note *(note 8)*	**3,973**	4,741
Net profit/(loss) attributable to ordinary equity holders of the Company before interest on convertible note	**(22,606)**	228,694

	Number of shares 2005	2004
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**8,569,146,358**	8,453,321,700
Effect of dilution — weighted average number of ordinary shares:		
Convertible note	**795,138,100**	877,808,219
Weighted average number of ordinary shares in issue during the year used in the diluted earnings/(loss) per share calculation	**9,364,284,458**	9,331,129,919

The diluted loss per share amount for the year ended 31 December 2005 has not been disclosed as the convertible note outstanding during the year had an anti-dilutive effect on the basic loss per share for the year.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Leasehold improve-ments HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles and yachts HK$'000	Plant and machinery HK$'000	Moulds HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2005									
At 31 December 2004 and at 1 January 2005:									
Cost	78,883	4,256	20,298	2,450	17,532	27,456	9,029	—	159,904
Accumulated depreciation	(5,170)	(3,136)	(12,324)	(2,227)	(14,738)	(18,010)	(5,263)	—	(60,868)
Net carrying amount	73,713	1,120	7,974	223	2,794	9,446	3,766	—	99,036
At 1 January 2005, net of accumulated depreciation	73,713	1,120	7,974	223	2,794	9,446	3,766	—	99,036
Additions	10,128	517	2,352	164	1,277	1,666	957	190	17,251
Disposal	—	—	(41)	—	(91)	(19)	—	—	(151)
Acquisition of subsidiaries *(note 35)*	20,240	—	1,406	—	1,014	5,518	—	—	28,178
Impairment	(751)	—	—	—	—	—	—	—	(751)
Depreciation provided during the year	(2,409)	(423)	(1,904)	(122)	(1,383)	(2,672)	(1,089)	—	(10,002)
Exchange realignment	352	—	25	—	10	106	—	—	493
At 31 December 2005, net of accumulated depreciation	101,273	1,214	9,812	265	3,621	14,045	3,634	190	134,054
At 31 December 2005:									
Cost	109,603	4,773	23,962	2,614	18,225	34,713	9,986	190	204,066
Accumulated depreciation and impairment	(8,330)	(3,559)	(14,150)	(2,349)	(14,604)	(20,668)	(6,352)	—	(70,012)
Net carrying amount	101,273	1,214	9,812	265	3,621	14,045	3,634	190	134,054

Certain of the Group's leasehold buildings were pledged to banks to secure banking facilities granted to the Group *(note 39)*.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group

(Restated)

	Buildings	Leasehold improvements	Furniture and fixtures	Office equipment	Motor vehicles and yachts	Plant and machinery	Moulds	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2004								
At 1 January 2004:								
Cost	76,864	4,110	19,160	2,395	16,144	25,534	7,707	151,914
Accumulated depreciation	(3,147)	(2,791)	(10,678)	(2,108)	(13,323)	(15,798)	(4,261)	(52,106)
Net carrying amount	73,717	1,319	8,482	287	2,821	9,736	3,446	99,808
At 1 January 2004, net of accumulated depreciation	73,717	1,319	8,482	287	2,821	9,736	3,446	99,808
Additions	2,019	146	1,138	55	1,862	1,922	1,322	8,464
Depreciation provided during the year	(2,023)	(345)	(1,646)	(119)	(1,889)	(2,212)	(1,002)	(9,236)
At 31 December 2004, net of accumulated depreciation	73,713	1,120	7,974	223	2,794	9,446	3,766	99,036
At 31 December 2004:								
Cost	78,883	4,256	20,298	2,450	17,532	27,456	9,029	159,904
Accumulated depreciation	(5,170)	(3,136)	(12,324)	(2,227)	(14,738)	(18,010)	(5,263)	(60,868)
Net carrying amount	73,713	1,120	7,974	223	2,794	9,446	3,766	99,036

NOTES TO FINANCIAL STATEMENTS

31 December 2005

16. INVESTMENT PROPERTIES

	Group 2005 HK$'000	Group 2004 HK$'000
Carrying amount at 1 January	**6,700**	6,600
Additions	**44,669**	—
Net gain from a fair value adjustment	**3,800**	100
Carrying amount at 31 December	**55,169**	6,700

The Group's investment properties at 31 December 2005 are situated in Hong Kong and are held under long term leases.

The revaluation of the above investment properties was carried out by Savills Valuation and Professional Services Limited, an independent firm of professionally qualified valuers, on an open market, existing use basis as at 31 December 2005. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 37.

The Group's investment properties with a value of HK$10,500,000 (2004: HK$6,700,000) were pledged to banks to secure banking facilities granted to the Group *(note 39)*.

17. PREPAID LAND LEASE PAYMENTS

	Group 2005 HK$'000	Group 2004 HK$'000 (Restated)
Carrying amount at 1 January		
As previously reported	**—**	—
Effect of adopting HKAS 17 *(note 2.2(a))*	**125,949**	120,895
As restated	**125,949**	120,895
Additions	**26,553**	7,429
Impairment	**(6,319)**	—
Acquisition of subsidiaries *(note 35)*	**2,992**	—
Recognised during the year	**(2,795)**	(2,375)
Exchange realignment	**90**	—
Carrying amount at 31 December	**146,470**	125,949
Current portion	**(2,906)**	(2,422)
Non-current portion	**143,564**	123,527

NOTES TO FINANCIAL STATEMENTS

31 December 2005

17. PREPAID LAND LEASE PAYMENTS *(Continued)*

The Group's leasehold lands are held under the following lease terms:

		The People's Republic of China (the "PRC") Mainland China	
	Hong Kong		**Total**
	HK$'000	*HK$'000*	*HK$'000*
Long term leases	102,108	—	102,108
Medium term leases	18,512	25,850	44,362
	120,620	25,850	146,470

Certain of the Group's leasehold lands were pledged to banks to secure banking facilities granted to the Group *(note 39)*.

18. GOODWILL/NEGATIVE GOODWILL

Group	**Goodwill**	**Negative goodwill**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
31 December 2005			
At 1 January 2005:			
Cost as previously reported	**—**	**91,843**	**91,843**
Effect of adopting HKFRS 3 *(note 2.2(d))*	**—**	**(91,843)**	**(91,843)**
Cost as restated	**—**	**—**	**—**
Accumulated amortisation as previously reported	**—**	**47,893**	**47,893**
Effect of adopting HKFRS 3 *(note 2.2(d))*	**—**	**(47,893)**	**(47,893)**
Accumulated amortisation as restated	**—**	**—**	**—**
Net carrying amount	**—**	**—**	**—**
Cost at 1 January 2005	**—**	**—**	**—**
Acquisition of subsidiaries *(note 35)*	**35,297**	**—**	**35,297**
Cost and carrying amount at 31 December 2005	**35,297**	**—**	**35,297**

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18. GOODWILL/NEGATIVE GOODWILL *(Continued)*

	Negative goodwill *HK$'000*
31 December 2004	
At 1 January 2004:	
Cost	104,535
Accumulated recognition as income	(44,302)
Net carrying amount	60,233
Cost at 1 January 2004, net of accumulated amortisation	60,233
Recognised as income during the year	(7,584)
Realised upon partial disposal of a subsidiary	(8,699)
At 31 December 2004	43,950
At 31 December 2004:	
Cost	91,843
Accumulated amortisation	(47,893)
Net carrying amount	43,950

In 2004, goodwill not previously eliminated against the consolidated reserves was amortised on the straight-line basis over its estimate useful life of 10 years.

Impairment testing of goodwill

Goodwill acquired through business combination has been allocated to the cash-generating unit of the manufacture and sale of luggage products, which is a reportable segment, for impairment testing:

The recoverable amount of the cash-generating unit of the manufacture and sale of luggage products has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by the management. The discount rate applied to cash flow projections is 6%, while it is assumed that the unit will not have any growth in business.

Key assumptions were used in the value-in-use calculation of the cash-generating unit of the manufacture and sale of luggage products for 31 December 2005. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — The basis used to determine the value assigned to the budgeted gross margins is with reference to the average gross margins achieved in the year immediately before the budgeted year.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the cash-generating units.

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19. INTERESTS IN SUBSIDIARIES

	Company 2005 HK$'000	Company 2004 HK$'000
Unlisted shares, at cost	**105,759**	105,759
Due from subsidiaries	**1,762,231**	1,820,899
Due to subsidiaries	**—**	(59,715)
	1,867,990	1,866,943

Except for the amount due from a subsidiary amounting to HK$3,900,000 (2004: HK$7,800,000) which bears interest at the best lending rate of the Hongkong and Shanghai Banking Corporation Limited plus 2% per annum, the amounts due from and to subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these amounts due from and to subsidiaries approximate to their fair values.

Details of the principal subsidiaries at the balance sheet date are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up/ registered share capital	Percentage of equity attributable to the Company 2005	Percentage of equity attributable to the Company 2004	Principal activities
Big Brother Resources Limited	British Virgin Islands/ Hong Kong	US$1	**100**	100	Property holding
Bonco Limited	British Virgin Islands/ Hong Kong	US$1	**100**	100	Property holding
Bookman Properties Limited	British Virgin Islands/ Hong Kong	US$1	**100**	100	Investment in listed securities
Chase Create Investments Limited	Hong Kong	HK$2	**100**	100	Property holding
Dynamic Award International Limited	British Virgin Islands	US$1	**100**	100	Investment holding
Eastern Bloom Limited	British Virgin Islands	US$1	**100**	100	Investment holding

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19. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up/ registered share capital	Percentage of equity attributable to the Company 2005	2004	Principal activities
Faircom Limited	British Virgin Islands	US$1	**100**	100	Investment holding
Ferrex Holdings Limited	British Virgin Islands	US$1	**100**	100	Investment holding
First River Investments Limited	British Virgin Islands	US$1	**100**	100	Investment holding
Funrise Limited	British Virgin Islands	US$1	**100**	100	Investment holding
Grand Island Development Limited	British Virgin Islands	US$1	**100**	100	Investment holding
iChoice Limited	British Virgin Islands	US$10	**60**	60	Investment holding
iFortune Limited	British Virgin Islands	US$1	**60**	60	Investment holding
iNoble Inc.	British Virgin Islands	US$1	**60**	60	Investment holding
Joystar Limited	British Virgin Islands/ Hong Kong	US$1	**100**	100	Investment holding
Joywell Holdings Limited	British Virgin Islands	US$1	**100**	100	Investment holding
Kent Smart Investments Limited	Hong Kong	HK$2	**100**	100	Property holding
Maxking Industries Limited	Hong Kong	HK$2	**100**	100	Investment holding
Maxlord Enterprises Limited	Hong Kong	HK$2	**100**	100	Money lending
Megaspace Asia Limited	British Virgin Islands/ Hong Kong	US$1	**100**	100	Property holding
New Wealth Limited	Hong Kong	HK$2	**100**	100	Property investment
Regulator Holdings Limited	British Virgin Islands	US$1	**100**	100	Investment holding
Senico Investments Limited	British Virgin Islands	US$1	**100**	100	Trading

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19. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up/ registered share capital	Percentage of equity attributable to the Company 2005	2004	Principal activities
Time Lander Limited	British Virgin Islands/ Hong Kong	US$1	**100**	100	Property holding
Top Eagle Holdings Limited	British Virgin Islands	US$1	**100**	100	Investment holding
Vigorous Assets Limited	British Virgin Islands	US$1	**100**	100	Investment holding
Yugang Enterprises Limited	Hong Kong	HK$2	**100**	100	Investment holding
Yugang Finance Limited	Hong Kong	HK$2	**100**	100	Treasury
Yugang International (B.V.I.) Limited	British Virgin Islands	US$5	**100**	100	Investment holding
Yugang Management Limited	Hong Kong	HK$2	**100**	100	Corporate management
Ablelink Investments Limited*	British Virgin Islands	US$100	**64.54**	59.71	Investment holding
Empire New Assets Limited *	British Virgin Islands/ Hong Kong	US$100	**64.54**	—	Property holding
Ensure Success Holdings Limited*	British Virgin Islands	US$100	**64.54**	59.71	Investment holding
Global Palace Investments Limited*	British Virgin Islands/ Hong Kong	US$1,000	**64.54**	59.71	Property holding
Onestep Enterprises Limited*	British Virgin Islands	US$100	**64.54**	—	Investment holding
Qualipak International Holdings Limited*	Bermuda	HK$39,395,000	**64.54**	59.71	Investment holding
Qualipak Development Limited*	British Virgin Islands	US$10,000	**64.54**	59.71	Investment holding
Qualipak Finance Limited*	Hong Kong	HK$2	**64.54**	59.71	Provision of financial services

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31 December 2005

19. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up/ registered share capital	Percentage of equity attributable to the Company 2005	2004	Principal activities
Qualipak Fortune Inc.*	British Virgin Islands/ PRC	US$10,000	**64.54**	59.71	Manufacture of watch boxes, gift boxes, spectacles cases and bags and pouches
Qualipak Manufacturing Limited*	Hong Kong	Ordinary HK$100 non-voting deferred HK$22,303,857	**64.54**	59.71	Trading of watch boxes, gift boxes, spectacles cases, bags and pouches and display units
Qualipak Manufacturing (China) Limited*	British Virgin Islands	US$1	**64.54**	59.71	Investment holding
Qualipak Production Inc.*	British Virgin Islands/ PRC	US$10,000	**64.54**	59.71	Manufacture of watch boxes, gift boxes and display units
Winning Hand Management Limited*	British Virgin Islands/ PRC	US$1	**64.54**	59.71	Property holding
Wisdom Way Limited*	Hong Kong	HK$2	**64.54**	59.71	Property holding
Wiseteam Assets Limited*	British Virgin Islands	US$100	**64.54**	—	Property holding
Worthwell Investments Limited*	British Virgin Islands/ Hong Kong	US$50,000	**64.54**	59.71	Investment holding
Hoi Tin Universal Limited*/#	Hong Kong	HK$1,000,000	**38.72**	—	Sale of soft luggages, travel bags, backpacks and brief cases

NOTES TO FINANCIAL STATEMENTS

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19. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up/ registered share capital	Percentage of equity attributable to the Company 2005	2004	Principal activities
Young Comfort Development Limited*/#	Hong Kong	HK$10,000	**29.04**	—	Manufacture and sale of soft luggage, travel bags, backpacks and brief cases
海天環球旅遊用品(蘇州)有限公司*/#	PRC	US$5,000,000	**38.72**	—	Manufacture and sale of soft luggage, travel bags, backpacks and brief cases

Except for Yugang International (B.V.I.) Limited, all of the subsidiaries are indirectly held by the Company.

* These subsidiaries were not audited by Ernst & Young.

\# These subsidiaries are subsidiaries of non-wholly-owned subsidiaries of the Company and accordingly are accounted for as subsidiaries by virtue of the Company's control over the entities.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

During the year, the Group acquired Hoi Tin Universal Limited. Further details of this acquisition are included in note 35.

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20. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

	Group	
	2005	2004
	HK$'000	*HK$'000*
Share of net assets	**3,669**	4,578

Particulars of the jointly-controlled entity are as follows:

Name	Business structure	Place of registration and operations	Ownership interest	Percentage of Voting power	Profit sharing	Principal activities
青島海信網絡科技股份有限公司	Corporate	PRC	35	40	35	Trading and manufacturing of software products

The above jointly-controlled entity was not audited by Ernst & Young and is held through a subsidiary.

21. INTERESTS IN ASSOCIATES

	Group	
	2005	2004
	HK$'000	*HK$'000*
		(Restated)
Share of net assets:		
— listed shares	**797,645**	664,445
— unlisted shares	**7,017**	—
Goodwill on acquisition	**31,789**	—
Negative goodwill on acquisition	**—**	(4,515)
	836,451	659,930
Loan to an associate	**3,000**	—
	839,451	659,930
Market value of listed shares	**283,920**	212,940

The loan to an associate is unsecured, interest-free and has no fixed terms of repayment. The carrying amount of this loan approximate to its fair value.

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21. INTERESTS IN ASSOCIATES *(Continued)*

On 3 June 2005, the Group acquired a 30% equity interest in Technical International Holdings Limited ("Technical International"), a company incorporated in the British Virgin Islands with limited liability, for a cash consideration of HK$33,000,000, subject to adjustment, as described in the circular of the Company dated 27 June 2005. Technical International and its subsidiaries (the "Technical Group") are principally engaged in the business of design, trading and marketing of knives, corkscrews and kitchenware in Hong Kong.

The total consideration of HK$33,000,000 for the acquisition was in the form of cash, of which HK$30,000,000 was paid during the year, and the remaining balance of HK$3,000,000 (subject to adjustment as stipulated in the sale and purchase agreement entered into with the vendor) is payable within seven business days from the issue of the audited consolidated financial statements of Technical Group for the year ending 31 December 2006. Goodwill arising from this acquisition amounted to HK$31,789,000.

Impairment testing on goodwill arising from acquisition of associates

For the purpose of impairment testing, goodwill set out above is allocated to the business of the associates as a cash-generating unit ("CGU").

The recoverable amount of CGU has been determined based on value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period and discount rate of 6%. No growth rate is assumed in the calculation. Another key assumption for the value-in-use calculation is the budgeted gross margin, which is determined based on CGU's past performance and management's expectation for the market development.

Particulars of the principal associates are as follows:

Name	Place of incorporation/ registration and operations	Particulars of issued shares held	Percentage of equity attributable to the Group 2005	2004	Principal activities
Y.T. Realty Group Limited	Bermuda	Ordinary shares of HK$0.1 each	**34.14**	34.25	Investment holding
Apex Rich Group Limited	British Virgin Islands/ Hong Kong	Ordinary shares of US$1 each	**34.14**	—	Investment holding
Benefit Plus Company Limited	Hong Kong	Ordinary shares of HK$1 each	**34.14**	34.25	Property investment
Best View Limited	British Virgin Islands/ Hong Kong	Ordinary shares of US$1 each	**34.14**	34.25	Property holding
E-Tech Services Limited	Hong Kong	Ordinary shares of HK$1 each	**34.14**	34.25	Property management

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21. INTERESTS IN ASSOCIATES *(Continued)*

Name	Place of incorporation/ registration and operations	Particulars of issued shares held	Percentage of equity attributable to the Group 2005	2004	Principal activities
Harson Investment Limited	Hong Kong	Ordinary shares of HK$1 each	**34.14**	34.25	Property investment
Honway Holdings Limited	British Virgin Islands/ Hong Kong	Ordinary shares of US$1 each	**34.14**	34.25	Investment holding
Luckleen Development Limited	Hong Kong	Ordinary shares of HK$1 each	**34.14**	34.25	Property trading
Mainland Sun Limited	British Virgin Islands/ PRC	Ordinary shares of US$1 each	**34.14**	34.25	Property investment
Rosy Star Company Limited	Hong Kong	Ordinary shares of HK$1 each	**34.14**	34.25	Property investment
Score Goal Investment Limited	Hong Kong	Ordinary shares of HK$1 each	**34.14**	34.25	Property investment
Score Target Investment Limited	Hong Kong	Ordinary shares of HK$1 each	**34.14**	34.25	Property trading
Y.T. (China) Limited	Hong Kong/ PRC	Ordinary shares of HK$1 each	**34.14**	34.25	Investment holding
Y.T. Finance Limited	Hong Kong	Ordinary shares of HK$500 each	**34.14**	34.25	Finance vehicle
Y. T. Investment Holdings Limited	British Virgin Islands/ Hong Kong	Ordinary shares of US$1 each	**34.14**	34.25	Investment holding
Y.T. Investment Management Limited	British Virgin Islands/ PRC	Ordinary shares of US$1 each	**34.14**	34.25	Securities investment
Y. T. Properties International Limited	British Virgin Islands/ Hong Kong	Ordinary shares of US$1 each	**34.14**	34.25	Investment holding
Y.T. Property Services Limited	Hong Kong	Ordinary shares of HK$1 each	**34.14**	34.25	Property management

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21. INTERESTS IN ASSOCIATES *(Continued)*

Name	Place of incorporation/ registration and operations	Particulars of issued shares held	Percentage of equity attributable to the Group 2005	2004	Principal activities
Winwide Excel Limited	British Virgin Islands/ Hong Kong	Ordinary shares of US$1 each	**34.14**	34.25	Investment holding
Technical International Holdings Limited#	British Virgin Islands	Ordinary shares of US$1 each	**19.36**	—	Investment holding
Technical Development (HK) Limited#	Hong Kong	Ordinary shares of HK$1 each	**19.36**	—	Design, trading and marketing of corkscrew, and kitchenware
Technical (HK) Manufacturing Limited#	Hong Kong	Ordinary shares of HK$1 each	**19.36**	—	Design, trading and marketing of corkscrew, and kitchenware

These associates are held by non-wholly-owned subsidiaries of the Company, and were not audited by Ernst & Young.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

All the above associates have been accounted for using the equity method in these financial statements.

The following table illustrates the summarised financial information of the Group's associates extracted from their financial statements:

	2005 *HK$'000*	2004 *HK$'000*
Assets	**3,058,474**	2,655,693
Liabilities	**698,725**	715,713
Revenues	**235,245**	89,843
Profit	**268,058**	94,401

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22. CONVERTIBLE DEBENTURES AND NOTES

	Group	
	2005	2004
	HK$'000	*HK$'000*
Unsecured and non-interest-bearing	**14,666**	—
Unsecured and interest-bearing	**38,145**	23,807
Provision for impairment	**—**	(7,807)
	52,811	16,000

At 31 December 2005, the Group held certain unlisted convertible debentures and notes which were issued by listed companies. These convertible debentures and notes conferred rights to the bearers to convert the whole or part of the outstanding principal amounts into shares of those listed companies at conversion prices ranging from HK$0.3 to HK$0.68 per share in the defined periods. They can only be redeemed at their face values upon maturity to the extent of the amounts not previously converted. The interest-bearing convertible notes bear interest at rates ranging from 2% to 3% per annum.

Provision for impairment was made in the prior years against certain convertible debentures and notes to reduce their carrying values to the estimated recoverable amounts.

23. LOANS RECEIVABLE

	Group	
	2005	2004
	HK$'000	*HK$'000*
Non-current:		
Secured	**—**	25,000
Unsecured	**2,000**	3,000
	2,000	28,000
Current:		
Secured	**42,000**	—
Unsecured	**131,237**	266,766
	173,237	266,766
	175,237	294,766

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23. LOANS RECEIVABLE *(Continued)*

The Group's loans receivable represents receivables arising from their money lending business and states at amortised cost at effective interest rates ranging from Hong Kong dollar prime rate (the "Prime Rate") to 5% above the Prime Rate (2004: Prime Rate to 2% above the Prime Rate) per annum. The credit terms are normally less than one year. As the Group's loans receivable relate to a number of different borrowers, the directors are of the opinion that there is no significant concentration of credit risk over these loans.

24. AVAILABLE-FOR-SALE EQUITY INVESTMENT/LONG TERM INVESTMENT

	Group	
	2005	2004
	HK$'000	*HK$'000*
Unlisted equity investment in Hong Kong, at cost	**100,000**	100,000
Less: Impairment	**(80,000)**	(30,000)
	20,000	70,000

The above investment was designated as available-for-sale financial assets on 1 January 2005.

In the opinion of the directors, the fair value of the above unlisted available-for-sale equity investment cannot be reliably measured. Accordingly, the investment is stated at cost less any impairment loss. The impairment loss is measured as the difference between the investment's carrying amount and the recoverable amount. The recoverable amount was determined with reference to the proceeds received from disposal of the investment subsequent to the year end.

25. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS/OTHER INVESTMENTS

	Group	
	2005	2004
	HK$'000	*HK$'000*
Listed equity investments, at market value:		
Hong Kong	**395,447**	488,747
Overseas	**—**	26,408
	395,447	515,155
Listed debt security, at market value:		
Overseas	**—**	8,023
Unlisted debt security:		
Hong Kong	**1,249**	—
	396,696	523,178

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25. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS/OTHER INVESTMENTS *(Continued)*

The above investments at 31 December 2005 were classified as held for trading.

The fair values of the above investments were determined based on quoted prices in the market or obtained from financial institutions at the balance sheet date.

The market value of the Group's investments at fair value through profit or loss at the date of approval of these financial statements was approximately HK$523,724,000.

26. INVENTORIES

	Group	
	2005	2004
	HK$'000	*HK$'000*
Raw materials	**30,939**	20,268
Work in progress	**38,700**	12,679
Finished goods	**16,375**	10,919
	86,014	43,866

27. TRADE DEBTORS

The Group allows an average credit period of 60 days to its customers.

As the Group's trade debtors relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade debtors are non-interest-bearing.

An aged analysis of the trade debtors at the balance sheet date is as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
0 to 30 days	**77,019**	12,802
31 to 60 days	**3,822**	8,989
More than 60 days	**6,972**	2,216
	87,813	24,007

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28. TRADE CREDITORS

An aged analysis of the trade creditors at the balance sheet date is as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
0 to 30 days	**69,044**	9,456
31 to 60 days	**16,393**	6,965
More than 60 days	**14,967**	7,665
	100,404	24,086

The trade creditors are non-interest-bearing and are normally settled on 60-day terms.

29. INTEREST-BEARING BANK BORROWINGS

	Effective interest rate	Maturity	Group	
			2005	2004
	(%)		***HK$'000***	*HK$'000*
Current				
Discounted bills with recourse	5.650	2006	**12,916**	—
Bank loan — secured	6.284	2006	**2,404**	—
Bank loan — unsecured	7.750	2006	**128**	—
			15,448	—

The Group's secured bank loans are secured by leasehold land of the Group amounting to HK$2,400,000, and guarantees given by Qualipak and minority shareholders of a subsidiary.

The carrying amounts of the Group's bank borrowings approximate to their fair values.

30. LOANS FROM MINORITY SHAREHOLDERS

The loans are unsecured, interest-free and have no fixed terms of repayment.

The carrying amounts of these loans approximate to their fair values.

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31. CONVERTIBLE NOTE

On 25 May 2004, the Company entered into an agreement with Timmex Investment Limited ("Timmex") in relation to the subscription by Timmex for an interest-bearing convertible note amounting to HK$70,000,000 (the "Note"). Timmex is 100% beneficially owned by Mr. Cheung Chung Kiu, a director of the Company. The Note conferred the right on the holder to convert the whole or part of the principal amount of the Note into ordinary shares of the Company at any time from 31 July 2004 (the date of issuance) for a period of three years, at a conversion price of HK$0.075 per share in the first year, HK$0.082 per share in the second year and HK$0.089 per share in the third year (subject to adjustment). The Note will mature for principal repayment on 31 July 2007. Interest on the Note is accrued from the date of issue on a day-to-day basis at 3% per annum on the principal amount of the Note and is payable annually in arrears.

On 29 July 2005, Timmex exercised the conversion right of the Note in an aggregate amount of HK$20,325,000 resulting in the issue of 271,000,000 new ordinary shares of the Company.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar note without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The net proceed received from the issue of the Note has been split between the liability and equity components, as follows:

	Liability component of convertible note *HK$'000*	**Equity component of convertible note** *HK$'000*
Nominal value of convertible note issued on 31 July 2004	70,000	—
Equity component	(7,620)	7,620
	62,380	7,620
Interest expense *(note 8)*	4,741	—
Interest paid	(3,776)	—
Balance at 31 December 2004 and at 1 January 2005	63,345	7,620
Conversion of part of the Note	(18,799)	(2,213)
	44,546	5,407
Interest expense *(note 8)*	3,973	—
Interest paid	(1,839)	—
Balance at 31 December 2005	46,680	5,407

The effective interest rate on the liability component of the Note is 7%.

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32. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

Group

	2005			
	Revaluation of properties	Accelerated tax depreciation	Loss available for offsetting against future taxable profit	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2005	—	3,202	(357)	2,845
Acquisition of subsidiaries *(note 35)*	—	648	—	648
Deferred tax charged/(credited) to the income statement during the year *(note 11)*	682	(698)	14	(2)
Deferred tax liabilities at 31 December 2005	682	3,152	(343)	3,491

	2004			
	Revaluation of properties	Accelerated tax depreciation	Loss available for offsetting against future taxable profit	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2004	—	1,091	(308)	783
Deferred tax charged/(credited) to the income statement during the year *(note 11)*	—	2,111	(49)	2,062
Deferred tax liabilities at 31 December 2004	—	3,202	(357)	2,845

The Group has tax losses arising in Hong Kong of HK$44,351,000 (2004: HK$34,469,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is considered not probable that sufficient taxable profits will be available to allow the deferred tax asset to be utilised.

At 31 December 2005, there is no significant unrecognised deferred tax liability (2004: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associates or the jointly-controlled entity as the Group has no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

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33. SHARE CAPITAL

Shares

	2005 HK$'000	2004 HK$'000
Authorised:		
50,000,000,000 (2004: 50,000,000,000) ordinary shares of HK$0.01 each	500,000	500,000
Issued and fully paid:		
8,724,321,700 (2004: 8,453,321,700) ordinary shares of HK$0.01 each	87,243	84,533

A summary of the transactions involving the Company's issued ordinary share capital during the year is as follows:

	Note	Number of shares in issue	Issued share capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 January 2004 and at 1 January 2005		8,453,321,700	84,533	840,629	925,162
Conversion of part of convertible note	(a)	271,000,000	2,710	18,302	21,012
At 31 December 2005		8,724,321,700	87,243	858,931	946,174

Note:

(a) On 29 July 2005, part of the convertible note amounting to HK$20,325,000 was converted into 271,000,000 shares of the Company at a conversion price of HK$0.075 each. Further details relating to the convertible note are set out in note 31.

Share options

At the special general meeting held on 29 April 2005, the Company adopted a share option scheme (the "Scheme"). Employees (including directors) of the Group are included in the eligible participants under the Scheme. A total of 845,332,170 shares will be available for issue under the Scheme, which represents 9.7% of the Company's issued share capital at the balance sheet date. Each participant cannot be entitled more than 1% of the total number of shares in issue in any 12-month period. The shares must be taken up under an option not later than 10 years from the date of grant of option. The Scheme remains in force until 28 April 2015. No option was granted under the Scheme during the year.

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34. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 29 to 30.

Company

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2004		840,629	839,108	4,222	1,683,959
Net profit for the year		—	—	26,607	26,607
Proposed final dividend	13	—	—	(25,360)	(25,360)
At 31 December 2004 and 1 January 2005					
As previously reported		840,629	839,108	5,469	1,685,206
Prior year adjustment		—	—	(965)	(965)
As restated		840,629	839,108	4,504	1,684,241
Issue of shares upon conversion of part of the convertible note	33	18,302	—	—	18,302
Net profit for the year		—	—	26,567	26,567
Proposed final dividend	13	—	—	(26,173)	(26,173)
At 31 December 2005		858,931	839,108	4,898	1,702,937

The contributed surplus of the Company originally represented the excess of the net asset values of the subsidiaries acquired over the nominal value of the Company's shares issued for their acquisition at the time of the reorganisation in preparation for the listing of the Company's shares in 1993. Under the Bermuda Companies Act 1981 (as amended), the contributed surplus may be distributed to shareholders under certain circumstances.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

35. BUSINESS COMBINATION

On 4 July 2005, the Group acquired a 60% equity interest in Hoi Tin Universal Limited ("Hoi Tin") and its subsidiaries ("Hoi Tin Group") from certain independent third parties. The purchase consideration for the acquisition was in the form of cash, with HK$31,000,000 paid on the completion date of the acquisition and the remaining HK$5,000,000 is payable within three business days from the issue of the audited consolidated financial statements of Hoi Tin for the year ending 31 March 2007.

The fair values of the identifiable assets and liabilities of Hoi Tin Group as at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were as follows:

	Notes	Fair value recognised on acquisition HK$'000	Carrying amount HK$'000
Property, plant and equipment	15	28,178	26,221
Prepaid land lease payments	17	2,992	2,992
Trade debtors		39,395	39,395
Other debtors, deposits and prepayments		7,099	7,099
Inventories		29,969	29,969
Cash and bank balances		1,308	1,308
Trade creditors and other payables		(63,116)	(63,116)
Accruals and other payables		(19,917)	(19,917)
Tax payable		(602)	(602)
Bank borrowings		(15,990)	(15,990)
Deferred tax	32	(648)	(2)
Loans from shareholders		(4,606)	(4,606)
Minority interests		(1,711)	(1,711)
		2,351	1,040
Goodwill on acquisition	18	35,297	
		37,648	
Satisfied by:			
Cash		31,000	
Consideration payable		5,000	
Direct expenses paid in connection with the acquisition		1,648	
		37,648	

NOTES TO FINANCIAL STATEMENTS

31 December 2005

35. BUSINESS COMBINATION *(Continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of the subsidiaries is as follows:

	2005	2004
	HK$'000	*HK$'000*
Cash consideration paid	**(31,000)**	—
Direct expenses paid in connection with the acquisition	**(1,648)**	—
Cash and bank balances acquired	**1,308**	—
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	**(31,340)**	—

Since its acquisition, Hoi Tin Group contributed HK$169,990,000 to the Group's turnover and HK$4,544,000 to the consolidated profit for the year ended 31 December 2005.

Had the combination taken place at the beginning of the year, the Group's turnover and loss for the year would have been HK$575,449,000 and HK$12,481,000, respectively.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

36. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit/(loss) before tax to net cash inflow from operating activities

	Notes	2005 HK$'000	2004 HK$'000 (Restated)
Profit/(loss) before tax		**(5,028)**	251,559
Adjustments for:			
Share of profits and losses of:			
A jointly-controlled entity		**910**	725
Associates		**(90,145)**	(43,132)
Interest income from convertible notes and loans receivable	5	**(17,986)**	(23,789)
Interest income on bank deposits	5	**(13,902)**	(4,459)
Dividend income from listed investments	5	**(5,800)**	(3,422)
Negative goodwill recognised as income	5	**—**	(8,110)
Provision/(write-back of provision) for doubtful debts, net	5, 6	**(4,052)**	14,643
Fair value gains on investment properties	5	**(3,800)**	(100)
Fair value losses/(gains) on investments at fair value through profit or loss	5, 6	**27,329**	(128,179)
Loss/(gain) on disposal of listed equity investments at fair value through profit or loss/other investments	5	**35,767**	(111,112)
Gain on partial disposal of a subsidiary	5	**—**	(22,480)
Loss on deemed disposal of interests in associates	6	**1,801**	—
Fair value gains on convertible debentures and notes	5	**(2,415)**	—
Excess over the cost of acquisitions of additional interest in a subsidiary	5	**(9,525)**	—
Impairment losses on available-for-sale equity investment/long term investment	6	**50,000**	30,000
Provision against obsolete inventories	7	**—**	3,339
Depreciation	7	**10,002**	9,236
Write-back of impairment loss on convertible note	5	**(3,907)**	(1,553)
Amortisation on prepaid land lease payments	7	**2,795**	2,375
Loss/(gain) on disposal of items of property, plant and equipment	7	**116**	(150)
Impairment losses on items of property, plant and equipment	6	**751**	—
Impairment losses on prepaid land lease payments	6	**6,319**	—
Finance costs	8	**4,449**	5,115
Operating loss before working capital changes		**(16,321)**	(29,494)

NOTES TO FINANCIAL STATEMENTS

31 December 2005

36. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(a) Reconciliation of profit/(loss) before tax to net cash inflow from operating activities *(Continued)*

	2005 HK$'000	2004 HK$'000 (Restated)
Operating loss before working capital changes	(16,321)	(29,494)
Increase in inventories	(12,179)	(4,960)
Increase in trade debtors	(19,948)	(5,951)
Decrease in other debtors, deposits and prepayments	3,846	36,440
Decrease/(increase) in bills receivable	(2,407)	4,674
Decrease in investments at fair value through profit or loss/other investments	86,110	119,965
Decrease in loans receivable	119,529	69,711
Increase in trade creditors	13,202	6,366
Increase/(decrease) in bills payable and trust receipt loans, secured	445	(2,576)
Increase/(decrease) in other payables	898	(3,807)
Increase/(decrease) in accrued expenses	(8,548)	6,671
Increase in customers' deposits received	2,516	1,042
Dividend received from listed investments	5,821	3,835
Interest income from convertible notes and loans receivable	20,865	20,797
Cash generated from operations	193,829	222,713
Hong Kong profits tax paid	(4,674)	(6,733)
Net cash inflow from operating activities	189,155	215,980

(b) Major non-cash transactions

(i) During the year, part of the convertible note amounting to HK$20,325,000 was converted into 271,000,000 shares of the Company at a conversion price of HK$0.075 per share.

(ii) During the year, the Group's convertible debentures and notes amounting to HK$17,000,000 were converted into 68,000,000 shares of a company listed on the Stock Exchange of the Hong Kong at a conversion price of HK$0.25 per share.

(c) Restricted cash and cash equivalent balances

Certain of the Group's time deposits are pledged to a bank to secure the banking facility granted to the Group, as further explained in note 39.

NOTES TO FINANCIAL STATEMENTS

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37. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties *(note 16)* under operating lease arrangements, with leases negotiated for terms of two to three years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the balance sheet date, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Within one year	**497**	696
In the second to fifth years, inclusive	**276**	773
	773	1,469

(b) As lessee

The Group leases certain of its manufacturing plants, office properties and quarters under operating lease arrangements. The leases for the manufacturing plants, office properties and quarters are negotiated for terms of one to five years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Within one year	**2,714**	787
In the second to fifth years, inclusive	**1,636**	—
	4,350	787

NOTES TO FINANCIAL STATEMENTS

31 December 2005

38. COMMITMENTS

In addition to the operating lease commitments detailed in note 37(b) above, the Group had the following commitments in respect of the purchases of property, plant and equipment at the balance sheet date:

	Group	
	2005	2004
	HK$'000	*HK$'000*
Contracted, but not provided for	**3,714**	—

At the balance sheet date, the Company did not have any significant commitments.

39. BANKING FACILITIES

At the balance sheet date, the Group's banking facilities were secured by:

(a) a pledge of the Group's time deposits of HK$10,345,000 (2004: HK$8,143,000);

(b) the Group's investment properties and certain leasehold land and buildings with an aggregate carrying value of HK$66,955,000 (2004: HK$66,693,000); and

(c) corporate guarantees issued by the Company and its subsidiary, Qualipak.

40. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2005	2004	**2005**	2004
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given to banks in connection with facilities granted to:				
Subsidiaries*	—	—	**518,080**	518,080
An associate	**6,000**	—	—	—
	6,000	—	**518,080**	518,080

* No banking facilities were utilised at the balance sheet date (2004: Nil).

NOTES TO FINANCIAL STATEMENTS

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41. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in those financial statements, the Group had the following significant transactions with related parties during the year:

		Group	
		2005	2004
	Notes	***HK$'000***	*HK$'000*
Rental expenses for office premises paid to a substantial shareholder	*(i)*	**963**	935
Interest expense paid to a related company	*(ii)*	**1,839**	3,776

Notes:

(i) The rental expenses were charged at cost, based on the floor area occupied by the Group in respect of the office premises rented by Chongqing Industrial Limited from an independent third party. Mr. Cheung Chung Kiu, a director of the Company, has a beneficial interest in Chongqing Industrial Limited, which is a substantial shareholder of the Company. This transaction also constitutes a connected transaction for the Company under the Listing Rules.

(ii) The interest expense paid to a related company was in respect of the convertible note issued by the Company to Timmex Investment Limited as detailed in note 31. The transaction constituted connected transactions for the Company under the Listing Rules.

(b) Details of the Group's loan to an associate as at the balance sheet date are included in note 21.

(c) Compensation of key management personnel of the Group:

	2005	2004
	HK$'000	*HK$'000*
Short term employee benefits	**19,185**	15,275
Post-employment benefits	**60**	60
Long term employee benefits	**90**	90
Total compensation paid to key management personnel	**19,335**	15,425

Further details of directors' emoluments are included in note 9.

NOTES TO FINANCIAL STATEMENTS

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42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments include equity investments, convertible note investments, loans receivable, trade debtors, trade creditors, bank borrowings and short-term deposits. Details of the major financial instruments and the Group accounting policies in relation to them are disclosed in note 2.5.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk, price risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Cash flow interest rate risk

The Group does not have any significant exposure to the risk of changes in market interest rates, and therefore it does not use derivative financial instruments to hedge its debt obligations.

Foreign currency risk

The Group has currency exposure as the majority of its sales were denominated in U.S. dollars, which are pegged to Hong Kong dollars. On the other hand, the expenses or expenditure incurred in the operations of manufacturing plants are denominated in Renminbi ("RMB"), which expose the Group to foreign currency risk.

The RMB is not a freely convertible currency. Future exchange rates of the RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and supply and demand of the RMB. The appreciation or devaluation of the RMB against HK$ may have impacts on the operating results of the Group.

The Group currently does not have a foreign currency hedging policy. However, management monitors the foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Credit risk

The Group trades only with recognised and creditworthy customers. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, trade debtor and other receivable balances are monitored on an ongoing basis to ensure follow-up action is taken to recover overdue debts and the Group's exposure to bad debts is not significant. In addition, the Group reviews the recoverable amount of each individual trade debtor at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group has established a credit committee (the "Committee") to manage the credit risk with respect to the loans receivable of the Group. The Committee reviews the credit standing and assesses credit risk exposures of each borrower. In order to mitigate this risk, the Group has formulated a credit policy governing the control of credit risk. In this regard, the directors consider that the credit risk is significantly reduced and controlled.

NOTES TO FINANCIAL STATEMENTS

31 December 2005

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Price risk

The Group's investments held for trading and call options embedded in investments in convertible notes are measured at fair value at each balance sheet date. Therefore, the Group is exposed to equity security price risk. The management manages this exposure by maintaining a well-diversified portfolio with different risk profiles.

The Group's investment properties, either directly owned by subsidiaries or indirectly owned through an associate, Y.T. Realty Group Limited, are measured at fair value at the balance sheet date. The fair value changes arising from the property revaluation during the year are taken directly to the income statement. Therefore, the Group is exposed to property price risk. The management strikes to manage this exposure by improving the quality of properties and maintaining a higher occupancy rate.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, convertible notes and other interest-bearing loans. The Group's policy is that all of the bank borrowings should mature in any 12-month period.

43. POST BALANCE SHEET EVENT

On 29 March 2006, the Group entered into a sale and purchase agreement with an independent third party to dispose of certain of its subsidiaries for a cash consideration of HK$7,000,000. This transaction was completed on 29 March 2006, which resulted in an estimated gain on disposal before tax and ancillary expenses of approximately HK$33,000,000.

44. COMPARATIVE AMOUNTS

As further explained in notes 2.2 and 2.4, due to the adoption of new and revised HKFRSs during the current year, the accounting treatments and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year and opening balance adjustments have been made and certain comparative amounts have been reclassified and restated to conform with the current year's presentation and accounting treatments.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 7 April 2006.